

TABLE B-3. (Continued)

Program	Budget Authority a/		Distribution Mechanism	Beneficiaries
	1982	1983		
(millions of dollars)				
JTPA/TAA: Dislocated Worker Programs	25	135	Project and formula grants to states. Re- cipient cost sharing (up to 50 percent) required	Dislocated workers
Employment Service	757	824	Formula grants to states based on labor force size and number unemployed	Unemployed workers and employers

SOURCE: Catalog of Federal Domestic Assistance.

- a. Congressional Budget Office estimates. For some programs, budget numbers include small amounts not distributed as grants but used for associated federal activities.
- b. The Comprehensive Employment and Training Act (CETA) was replaced by the Job Training Partnership Act (JTPA) in October 1982, but 1983 is a year of transition. JTPA should be fully implemented by October 1983. Unlike CETA, JTPA includes a title that authorizes grants to states for providing employment services to dislocated workers.
- c. Includes \$826 million for federally administered programs, including the Job Corps and national programs for Indians and migrants.
- d. Includes \$866 million for federally administered programs.

heavily targeted on economically disadvantaged persons in the labor force--are designed to complement general economic policies intended to maintain the economy at full employment, since past experience shows that prosperity alone will not suffice to integrate workers with severe disadvantages into the labor market.

### Training and Employment Programs

The federal government supports job training programs for two kinds of workers--those who are economically disadvantaged and those who have been dislocated by structural changes in the labor market. Currently, almost all federal funding for job training programs is targeted on disadvantaged workers. Funding for programs for dislocated workers--provided under the Trade Adjustment Assistance (TAA) provisions of the Trade Act of 1974--was less than 1 percent of total federal spending for training and employment programs in 1982. This share rose to 3 percent in 1983, though, and is likely to increase further as the new Job Training Partnership Act (JTPA)--which authorizes a new program for dislocated workers in addition to programs for disadvantaged workers--is fully implemented in 1984 as a replacement for the Comprehensive Employment and Training Act (CETA).

Programs for Disadvantaged Workers. JTPA is the largest source of funding for employment and training for disadvantaged workers. Funding under JTPA was \$3.9 billion in 1983. Some additional employment and training for disadvantaged workers is provided to AFDC recipients under the Work Incentive (WIN) program, while public service employment is provided to low-income older workers through the Community Service Employment (CSE) program. The federal government administers directly some job training programs--the Job Corps for youth, and special programs for migrant and Indian workers--but most federal training programs are administered by state or local agencies that receive federal grants. CETA grant programs (and the new programs for the disadvantaged under the Job Training Partnership Act) are 100 percent federally funded, while a 10 percent state-local match is required under the WIN and CSE programs. Typically, there has been little overmatching by nonfederal governments in

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ing the physical environment and the fiscal capacity of targeted areas. It seems unlikely, however, that current economic development programs have been very successful at generating private employment demand in depressed areas. See John L. Palmer and Isabel V. Sawhill, ed., The Reagan Experiment (The Urban Institute, 1982), pp. 263-267.

these programs. Responses to the substantial reductions in funding for federal training programs in 1981 and 1982 indicate, however, that state and local governments might step in to cushion reductions in service levels at least for summer youth employment programs. 20/

Evidence on the effectiveness of employment and training programs for the disadvantaged is mixed. Intensive programs in remedial education and training--like the Job Corps--have been successful at increasing the employability and earnings of severely disadvantaged youth, but less intensive programs providing primarily work experience--characteristic of most CETA youth programs--typically have not. For youth who already have basic employment skills, much less costly programs providing intensive job-search assistance have been successful at increasing employment rates by reducing the time these youth spend looking for work. 21/ For adult women entering the labor force for the first time, or reentering after a number of years, it appears that most approaches--work experience, classroom instruction, or on-the-job training--are equally successful at increasing employability, indicating that the least costly approach would be most cost-effective. Job-search assistance alone might be equally effective for these women, at a lower cost, but this is uncertain. By contrast, none of these approaches appears to enhance significantly the employability or wage rates of adult men with a history of low-wage or unstable employment. 22/

Programs for Dislocated Workers. Workers dislocated for any reason (trade-related or not) are eligible for employment services--including training and relocation allowances--under Title III of the Job Training Partnership Act (JTPA). 23/ Start-up funding of \$110 million has been provided for 1983 under this program, including supplemental appropriations of \$85

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20. See Richard P. Nathan, Philip M. Dearborn, and Clifford A. Goldman, "Initial Effects of the Fiscal Year 1982 Reductions in Federal Domestic Spending," in John William Ellwood, ed., Reductions in U.S. Domestic Spending (Transaction Books, 1982).
  21. See Congressional Budget Office, Improving Youth Employment Prospects: Issues and Options (February 1982).
  22. See Congressional Budget Office, CETA Training Programs--Do They Work For Adults? (July 1982).
  23. Estimates of the proportion of the unemployed who are dislocated range from 1 to 20 percent, depending on how dislocation is defined. See Congressional Budget Office, Dislocated Workers: Issues and Federal Options (July 1982).

million under the emergency jobs bill recently enacted (P.L. 98-8). Additional funding of \$25 million is available under the TAA program for workers dislocated by increased imports, but this program is due to expire at the end of 1983.

Evidence on the effectiveness of readjustment programs for dislocated workers is scarce, but there are indications that job search assistance can improve labor market outcomes for dislocated workers, often without the need for extensive job retraining. In pilot projects offering reemployment services to workers permanently laid off from automotive supply plants in Michigan, it was found that workers who received services were significantly more likely to find new employment than workers who did not receive special services. Reemployment rates for those who received services were 72 percent, compared to 50 or 60 percent for those who did not receive services. The results indicated that training plus job search had no greater impact on reemployment rates than job search alone, but this finding must be viewed with caution since participants assigned to training were those the program staff believed would be less likely to find reemployment without training. 24/

The TAA program, however, has been more one of income maintenance than of adjustment. Of those who received trade readjustment allowances from 1976 through 1980, about 13 percent received counseling, fewer than 3 percent were referred for training, and about 3 percent were placed in new jobs. Since more than two-thirds of workers who received TAA benefits returned to their former employment, they were not really dislocated workers. 25/

### The Employment Service

The principal public source of labor market information and placement assistance is the U.S. Employment Service, authorized by the Wagner-Peyser Act of 1933. The Employment Service is a federally funded but state-administered system, with offices operating throughout the country. It is primarily a labor exchange, attempting to match--without charge--the skills and interests of job applicants with openings listed by employers. The

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24. Abt Associates, "The Downriver Community Conference Economic Readjustment Activity Program: Impact Findings from the First Phase of Operations" (April 1983).

25. Congressional Budget Office, Dislocated Workers, pp. 27-28.

primary service provided to jobseekers is referral to listed job openings. Services to employers include job analysis, studies of turnover and absenteeism, and assistance in job restructuring, along with help in filling job openings. The Employment Service does nothing to develop the employability of job applicants, although it provides some aptitude testing and counseling and serves as a source of information and referral for employment and training programs and apprenticeship programs in which job applicants might usefully participate. Agencies make some efforts at job development, in which they encourage local employers to list more of their vacancies with the Service as well as soliciting placements for specific Employment Service applicants. 26/

The amount appropriated for the placement activities of the Employment Service--\$824 million in 1983--is allocated among the states by a formula based on labor force size and the number of unemployed. Staff years funded under the Wagner-Peyser Act have not increased significantly since 1966 despite a large increase in the labor force over that time. 27/ Some additional funding is provided for services rendered to CETA prime sponsors, local welfare agencies, and others.

Despite its large scale of operation--17 million applications, 8 million job listings, and 6 million placements in 1981--the Employment Service has never been the dominant labor exchange in U.S. labor markets because most placements are achieved through the private efforts of jobseekers and employers. 28/ It is, however, an important placement resource for many disadvantaged workers. In 1980, minority workers accounted for 30 percent, and youth accounted for 31 percent, of all applicants. Women, the physically handicapped, migrant farm laborers, and other disadvantaged groups are also served in numbers disproportionate to their representation in the labor force. 29/ Much of the Employment Service's responsibility for disadvantaged workers, however, has been of a regulatory or enforcement nature, which has reduced the time and effort devoted to counseling and placement activities with resultant discontent about the overall effective-

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26. Employment and Training Report of the President, 1981, pp. 47-50.
  27. See Youth Employment Act of 1979, Hearings, Pt. I, p. 381.
  28. National Commission for Employment Policy, Seventh Annual Report (October 1981), p. 84; Employment and Training Report of the President, 1982, p. 48.
  29. Employment and Training Report of the President, 1981, p. 48.

ness of the Service. <sup>30/</sup> Conflict between these supplementary responsibilities and basic labor exchange functions was reduced by amendments to the Wagner-Peyser Act included in the Job Training Partnership Act of 1982, which established separate funding provisions for the two kinds of activities.

### SOCIAL SERVICE PROGRAMS

Social service programs serve a number of functions. Foremost among these is the provision of protective, rehabilitative, and community- and home-based services intended to prevent both the neglect and the unnecessary institutionalization of dependent persons--children, the aged, and the disabled. Secondary functions include counseling, referral, and advocacy services intended to ensure that eligible persons receive the benefits that are available for them.

These services are currently funded through a mix of private, federal, and state-local sources. It is estimated that private charities contribute 35 to 40 percent of total spending for social services, while public spending is 60 percent federal and 40 percent state-local. <sup>31/</sup>

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30. In addition to its placement activities, the Employment Service has a number of other responsibilities under various laws, executive orders, and agreements with other agencies. Agencies are supposed to ensure that employers who use the Service abide by equal employment opportunity laws and federal labor regulations. Some beneficiaries of income transfer programs such as Unemployment Insurance, Aid to Families with Dependent Children, and food stamps are required to register for job placement with the Service. Employment Service offices are the certifying agents for employees eligible for the Targeted Jobs Tax Credit. They have a major recruiting role for the Job Corps and other youth programs. They are also responsible for certifying alien workers, for monitoring migrant farm housing, and for certifying eligibility for rural business and development loans. See National Commission for Employment Policy, Seventh Annual Report (October 1981), p. 85; and Youth Employment Act of 1979, Hearings, Pt. I, p. 78.
  31. See Michael F. Gutowski and Jeffrey J. Koshel, "Social Services," Chapter 10 in John L. Palmer and Isabel V. Sawhill, ed., The Reagan Experiment (The Urban Institute, 1982), pp. 325-26.

The federal role is limited almost entirely to funding and technical support through grants to the state, local, and nonprofit agencies that provide services. To a large extent, federal dollars simply subsidize services that would be provided anyway, at some level, by nonfederal governments. Some services--such as Head Start, rehabilitation services, and developmental disabilities programs--would probably be greatly reduced or eliminated in the absence of federal funding, though.

Although federal support for social services dates back at least to 1912 and the formation of the Children's Bureau, the Public Welfare Amendments of 1962 initiated a period of rapid expansion in federal funding for social services, with provisions aimed in part at preventing welfare dependency--and thus ultimately reducing welfare costs--among the population wherever possible. As the result of this expansion, the ratio of federal spending for social services to spending for income security and health rose from less than 3 percent in the early 1960s to a peak of 6.2 percent in 1972. Since then, however, the growth of spending for income support and health entitlement programs has outstripped that for social service spending, so that the ratio fell to 2.3 percent by 1982. 32/

Currently, the largest federal program for social services is the Social Services Block Grant, which accounted for 42 percent of grants spending for social services in 1983. This program supports a broad set of services, including day care for children and dependent adults, homemaker and other in-home services, and family planning. Other more restrictive categorical programs support foster care and adoption services for homeless or abused children, social and nutrition programs for the elderly, rehabilitation programs for the disabled, and volunteer activities in low-income areas (see Table B-4).

#### Social Services Block Grant

This grant was created by the Omnibus Budget Reconciliation Act of 1981, which merged a similar but more restrictive block grant authorized by Title XX of the Social Security Act with two much smaller Title XX programs: grants for day care services, and for training state and local social service workers. Federal funds under the current block grant--equal to \$2.7 billion in 1983--are allocated among the states solely on the basis of population.

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32. Gutowski and Koshel, p. 323.

TABLE B-4. GRANTS FOR SOCIAL SERVICE PROGRAMS, 1982 AND 1983 a/

Program	Budget Authority <u>a/</u>		Distribution Mechanism	Beneficiaries
	1982	1983		
	(millions of dollars)			
Social Services Block Grant	2,400	2,675	Formula grant to states based on population	Generally children, the aged, and the disabled
Community Services Block Grant	366	384	Formula grant to states based on preexisting distribution of funds. Minimum 90 percent pass-through to local agencies	Principally persons in low-income areas
Head Start	912	912	Project grants to state, local, and nonprofit agencies. State allocation determined by a formula based on pre-school-age low-income population. Recipient cost-sharing (20 percent) required	Economically disadvantaged pre-school children
Child Welfare Programs:				
Title IV-B of the Social Security Act: Child Welfare Services	173	173	Mostly formula grants to states based on population and income. Recipient cost-sharing (25 percent) required	Any children or families in need of services

(Continued)



TABLE B-4. (Continued)

Program	Budget Authority a/ 1982      1983 (millions of dollars)		Distribution Mechanism	Beneficiaries
Title IV-E of the Social Security Act: Foster Care and Adoption Assistance	305	400	Entitlement for AFDC-eligible children. Recipient cost-sharing required, at the state AFDC rate	Welfare children in foster care
Runaway and Child Abuse Programs	27	38	Project grants to state, local, and nonprofit agencies. Recipient cost-sharing (10 percent) required for runaway programs	Abused, neglected, and runaway children
Older Americans Act: Social and Nutritional Services b/	636	672	Mostly formula grants to states based on elderly population. Recipient cost-sharing (15 percent) generally required	Persons aged 60 or more, especially those with the greatest economic or social needs
Rehabilitation Services	952	1,045	Mostly formula grants to states based on population and income. Recipient cost-sharing (20 percent) generally required	Persons with physical or mental disabilities that impede their employment

(Continued)

TABLE B-4. (Continued)

Program	Budget Authority a/ 1982      1983 (millions of dollars)		Distribution Mechanism	Beneficiaries
Volunteer Programs (ACTION)	132	129	Project grants to state, local, and nonprofit agencies. Recipient cost-sharing (10 to 50 percent) generally required	Low-income and elderly persons
Developmental Disabilities Programs	59	61	Mostly formula grants to states based on population and income. Recipient cost-sharing (25 percent) generally required	Mentally retarded persons

SOURCE: Catalog of Federal Domestic Assistance.

- a. Congressional Budget Office estimates. For some programs, budget numbers include small amounts not distributed as grants but used for associated federal activities.
- b. Excludes Community Service Employment, which is shown in Table B-3.

Under the consolidated grant, there is no requirement that spending levels under the predecessor grants for day care and for training be maintained. In addition, federal requirements under the prior grants restricting eligibility for services to low-income individuals and requiring matching state-local funds were eliminated. The elimination of the matching requirement is not likely to have much effect on total service levels, however, since most states provided more than their required share.

Since federal funding for 1982 was about 7 percent below that required to maintain 1981 service levels, some states reduced their spending for day care and for training in an effort to maintain other services, particularly protective services for children and adults and community-based services for the elderly and disabled. In addition, they shifted costs to other federal programs wherever possible. For example, for welfare clients, day care costs were shifted to AFDC, and family planning and home health care costs were shifted to Medicaid. Evidence for the priority given to broad-based social service programs (over redistributive programs) is the decision by 20 states to transfer funds from the Low Income Energy Block Grant to the Social Services Block Grant under provisions contained in the Omnibus Budget Reconciliation Act. 33/

Although social services are often supported simply for humanitarian reasons, some services might be expected to yield positive results on a strict cost-benefit basis. Family planning services help to reduce the incidence of teenage pregnancies, for example, and reduce long-term welfare costs. 34/ Community- and home-based services for the elderly and the disabled might enable some individuals to remain in their own homes at less public expense than if they were institutionalized. If benefits of this sort are substantial, immediate savings from cutting spending for social service programs could be offset in later years by increased public assistance and health costs for both federal and nonfederal governments.

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33. See Gutowski and Koshel, pp. 316-17.

34. See Jacqueline Forrest, Albert Hermalin, and Stanley Henshaw, "The Impact of Family Planning Clinic Programs on Adolescent Pregnancy," Family Planning Perspectives, vol. 13, no. 3 (May/June 1984), pp. 109-16; and R. Wertheimer and K. Moore, "Teenage Childbearing: Public Sector Costs," Final Report to the Center for Population Research, Department of Health and Human Services (The Urban Institute, December 1982). See also Kristin A. Moore and Martha R. Burt, Private Crisis, Public Cost: Policy Perspectives on Teenage Childbearing (The Urban Institute, 1982).

### Community Services Block Grant

The Community Services Block Grant replaced programs run by the Community Services Administration (CSA) in 1982. Block grant funds with no matching requirement are distributed among the states based on the previous allocation of funds to states under the CSA, which gave project grants directly to community action agencies in largely urban, low-income areas. Some states indicate, however, that they intend to distribute funds more broadly among localities in the future since federal requirements for continued funding of previous recipients no longer apply beginning in 1983. <sup>35/</sup> It is uncertain how community action agencies will fare under the new block grant. Federal dollars may instead be channeled entirely through local government agencies.

Funds may be used for a variety of community-based services and for community economic development. In the past, community action agencies often served as sponsors for Head Start programs, and were the recipients of grants for a variety of other federal and state programs. Their major role was to draw together and coordinate the various federal, state, and local resources that could be used to improve the lot of the poor in the community. If funds are distributed to local agencies uniformly throughout the state in the future, though, this grant will probably become a general subsidy for social services, indistinguishable from the Social Services Block Grant.

### Head Start

Head Start is an additional source of funding for compensatory services. It provides educational, nutritional, health, and social services to pre-school children from poor families in an effort to reduce disparities in development between disadvantaged children and others, so that poor children might begin their formal education on a more equal basis. Most programs operate 4 to 6 hours a day, for 8 to 12 months a year. Head Start programs spent \$2,311 per child, on average, in 1982, but sponsors typically made extensive use of other federal programs--especially nutrition subsidies, Medicaid, and public service employment--in providing services as well. <sup>36/</sup>

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35. Nathan, et. al., p. 343.

36. The use of public service employees has been greatly reduced by the elimination of public service employment in most employment assistance programs (CETA and its successor, JTPA). Some public service employment continues, however, for older workers through the Community Service Employment (CSE) program under the Older Americans Act.

Head Start funds are apportioned among the states by a formula based on each state's relative number of poor children. Project grants from a state's allocation are then provided by the federal government to eligible local organizations within the state--including community action agencies, schools, and churches. Local sponsors are required to provide at least 20 percent of program expenses. Some provide more than this, but the bulk of local contributions is in-kind--volunteer workers and donations of space and equipment. Federal dollars are nearly 100 percent of cash support. Head Start programs, like compensatory services under Chapter I of the ECIA, would probably be greatly reduced or eliminated in the absence of federal funding.

Both the General Accounting Office and the Department of Health and Human Services have reviewed existing evaluation studies of Head Start, and have concluded that full-year (but not summer) programs are generally effective in meeting their goals--gains in the cognitive skills, social development, and health of Head Start children relative to similar children who do not participate in the program. <sup>37/</sup> Although it is not known how long the relative gains for Head Start children are sustained once the children enter regular school programs, there is evidence from some high-quality demonstration projects providing services similar to those available to Head Start children that the gains are long-lasting. <sup>38/</sup>

### Child Welfare Programs

The principal source of federal funding specifically for child welfare services is Title IV of the Social Security Act. <sup>39/</sup> Funds appropriated under Title IV-B are distributed to the states by a formula based on the size of the

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37. See General Accounting Office, "Head Start: An Effective Program but the Fund Distribution Formula Needs Revision and Management Control Needs Improvement," Report No. HRD-81-83, July 23, 1981; Department of Health, Education and Welfare, "A Review of Head Start Research since 1969, and An Annotated Bibliography," HEW Publication No. OHD-77-31102; and Congressional Research Service, "The Head Start Program: History, Legislation, Issues, and Funding: 1964-82," Report No. 82-93 EPW, May 10, 1982.
  38. Center for the Study of Public Policies for Young Children, High Scope Educational Research Foundation, "High Quality Early Childhood Education Programs."
  39. Child welfare services may also be funded under the Social Services Block Grant.

under-18 population and per capita income; these funds may be used for foster care maintenance, family counseling, adoption, and child protective services, regardless of family income. States spend far more than the required 25 percent match, so that less than 10 percent of services are federally funded.

Funds under Title IV-E, by contrast, are provided to the states on an entitlement basis for foster care and adoption assistance for abused or neglected children from AFDC families. Adoption assistance may include cash payments to the adoptive family and the continuation of Medicaid benefits to the adopted child. The required state share is the same as the state's AFDC and Medicaid share, which averages around 45 percent. Before the Adoption Assistance and Child Welfare Act of 1980, states were reimbursed on an entitlement basis for their foster care expenses for AFDC children, but no federal assistance was provided to adoptive parents. The intent of the Adoption Assistance and Child Welfare Act was to increase incentives for permanent adoption of children in foster care when family reunification was not possible. Since the act was not fully implemented until the beginning of fiscal year 1983, there is no evidence as to how effectively the new program provisions will meet these objectives. <sup>40/</sup>

#### Services for the Elderly

The largest federal program of social services for the elderly is the Older Americans Act (OAA) of 1965, which funds nutrition programs and a range of community- and home-based services (as well as the CSE program, discussed earlier under employment assistance programs). The elderly are also major recipients of (often similar) services under the Social Services Block Grant, the Community Services Block Grant, and federally supported volunteer programs.

The services available under these programs have two principal purposes: to reduce the social isolation of the elderly; and to provide the nutritional, health, homemaker, and transportation services necessary to enable elderly persons who are only moderately disabled to continue living in their own homes. Funds under the Older Americans Act (excluding the CSE program) are allocated among the states on the basis of each state's population aged 60 or over. State and area agencies provide about 50 percent, on average, of the funding for nutrition and social service programs for the elderly, although their required share under the OAA is only 15 percent.

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40. Jan Fowler, "Federal Child Welfare Programs: Titles IV-B and IV-E of the Social Security Act," Congressional Research Service, Education and Public Welfare Division, January 1983.

The OAA originally served as a catalyst for generating more services directed toward the needs of the elderly, but now services for the elderly receive considerable independent support at the local level. Still, only a small proportion of older Americans with physical limitations who are not institutionalized receive federally supported social services of any type. Further, the decentralized and unrestrictive nature of current programs has led to a distribution of benefits that is not necessarily targeted on those most in need. Elderly persons with strong community ties and an awareness of the existence of programs are more likely to be participants than are the socially or physically isolated. In addition, the services that are received by the disabled are not always comprehensive enough to prevent institutionalization. <sup>41/</sup>

### Rehabilitation Services

The vocational rehabilitation program now authorized under Title I of the Rehabilitation Act of 1973 has been a federal categorical program since 1920. Basic grants to the states are distributed to state agencies by formula, based on population and per capita income. States are required to provide matching funds of 20 percent, and apparently little overmatching occurs. <sup>42/</sup> Federal support for state rehabilitation services has been declining in real terms since 1975, and the number of new cases accepted has been dropping correspondingly, indicating that states have not increased their support to maintain services.

The federal government will reimburse state agencies for the cost of rehabilitation services for clients receiving Social Security Disability Insurance or Supplemental Security Income, if successful rehabilitation is demonstrated by a return to gainful employment for a period of not less than nine months, subject to the stipulation that the reimbursement for each case must not exceed savings (from reduced benefit payments) to the trust fund.

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41. There is a bias toward institutionalization in the major federal health care programs, since coverage for home-based services under Medicare and Medicaid has been available only since 1981, and is subject to severe constraints. Currently, about 2 percent of payments under Medicare and Medicaid are for home-based care.
  42. In 1981, the actual state share was about 24 percent. In 1982, reported figures show a state share of 26 percent, but this included federal reimbursements through SSDI and SSI, which are not appropriately counted as matching state funds.

Studies by the Rehabilitation Services Administration (RSA) indicate that its programs, unlike some other social service programs, create significant public savings by putting handicapped persons back to work. The RSA estimates that discounted lifetime earnings for rehabilitated persons improve, on average, by \$10 to \$11 for every dollar spent on services for all clients whose cases are closed in a given year (with or without successful rehabilitation). In 1980, it estimates that the first-year improvement in personal earnings yielded public benefits from rehabilitation--due to increased tax collections and reduced public assistance--of \$280 million. Of this, an estimated \$213 million were benefits to the federal government. At this rate, the total costs of rehabilitation for cases closed in 1980 (\$1.1 billion) would be recovered by federal and state governments combined within 4 years, and the federal costs would be recovered by the federal government in that period as well. 43/

Based on these estimates, reductions in federal funding for vocational rehabilitation--if the resultant reductions in the number of persons served are not offset by increased rehabilitation through private or charitable organizations--are likely to increase rather than decrease federal budget deficits in the long run. 44/

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43. Discounting would lengthen the period required for cost recovery, but--at current interest rates--it would not eliminate the net public benefit from rehabilitation. See Rehabilitation Services Administration, Division of Program Administration, Basic State Grants Branch, "In-House Benefit/Cost Ratios: State-Federal Program of Vocational Rehabilitation," April 1982.
44. This assumes that all increased earnings are the result of rehabilitation services. One study estimates that in 1977 about 25 percent of those counted as rehabilitated would have recovered without rehabilitation services. This would reduce the public benefits attributable to rehabilitation, thereby lengthening the period necessary for recovery of public costs through increased tax revenues and reduced public assistance. The increasing emphasis in recent years on serving the severely disabled--defined as those with work potential who would not recover without rehabilitation services--has probably reduced the proportion of those served who would have recovered without services, however. See Leo A. McManus, "Evaluation of Disability Insurance Savings Due to Beneficiary Rehabilitation," Social Security Bulletin (February 1981), vol. 44, no. 2, p. 20.



### Volunteer Programs

Volunteer activities are a local resource that may be useful in combating the effects of poverty, and grants from ACTION--a federal agency supporting volunteer programs--are available to local agencies on a project basis for the administrative and technical expenses associated with neighborhood volunteer activities. The elderly and the handicapped are major beneficiaries of these volunteer activities, since programs such as Foster Grandparents, the Retired Senior Volunteer Program (RSVP), and Senior Companions help to alleviate the social isolation of the able-bodied who serve as volunteers, while they provide household services and long-term care for those who are not able-bodied. Some federal funding may play an important role here as seed money, although at higher levels federal dollars may instead supplant private charity by reducing the vigor with which charities solicit private contributions.

### Developmental Disabilities Programs

The federal government provides formula grants to states for services to persons with developmental disabilities--defined as severe, chronic, and seriously limiting disabilities that began prior to age 22. To qualify for federal funds, states must have a protection and advocacy system intended to ensure that the legal and human rights of mentally retarded individuals are protected. A state match of 25 percent is required, and few states provide much more than this. Similar services can be provided under the Social Services Block Grant. Advocates for the retarded contend that their needs are shortchanged when they must compete with other groups for services, however, because retarded persons tend to be difficult and expensive to serve and because their numbers are so small compared to other target groups.